

eDUMBE LOCAL MUNICIPALITY



OVERSIGHT REPORT 2018/2019 FINANCIAL YEAR

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1. INTRODUCTION

Section 129 of the Municipal Finance Management Act requires the Municipal Council to consider the Annual Report of the Municipality by no later than two months from the date on which the annual report was tabled in Council and adopt an Oversight Report containing the Council's comment on the Annual Report.

2. ADOPTION OF THE 2018/2019 ANNUAL REPORT

The 2018/2019 Annual Report for eDumbe Municipality was presented by Auditor General to Council as per Section 127(4) of the MFMA on the 26 February 2020. This was due to delay by Auditor General in issuing Audit Report which was issued to the Municipality on the 14 February 2020. The Annual report was then made public as per Section 127(5) of the said Act

When tabled, the 2018/2019 Annual Report was adopted without reservations

3. ESTABLISHMENT OF THE OVERSIGHT COMMITTEE / MPAC

The eDumbe Municipal Council established the Oversight Committee under Sections 33 and 79 of the Structures Act 1998, which consist of the following members:

- (a) Cllr HH Vilakazi : Chairperson
- (b) Cllr RC Gevers : Member
- (c) Cllr MS Zulu : Member
- (d) Cllr BT Shabalala: Member
- (e) Cllr DP Masondo : Member

4. DISCUSSION OF THE 2018/2019 ANNUAL REPORT

Due to pronouncement of lockdown by the President following the declaration of Covid 19 as a National Disaster, Oversight Committee could not meet to review annual report within the stipulated timeframe as per the legislation. Oversight Committee/MPAC then sat on 19 May 2020

The Oversight Committee/MPAC made the detailed analysis review on the Annual Report. The following observations were noted:

4.1. ANNUAL FINANCIAL STATEMENTS

- The 2018/2019 Annual Financial Statements of the Municipality were prepared in compliance with applicable South African Standard of Generally Recognised Accounting Practice (SA Standard of GRAP), they were audited by Auditor General and were included in the Annual Report for 2018/2019.
- The Auditor General's Audit Report was included in the Annual Report
- The notes to the Financial Statements were included giving explanation to the financial issues of the Municipality
- The assessment on municipal taxes and service charges was conducted by the Accounting Officer before the AFS were compiled and were then included in the Annual report. Debtors age analysis was captured on the Annual Financial Statements.
- Due to high indigent rate at eDumbe Municipal area, Debtors book balance is above 100 million
- Action has been taken by the Municipality to address the issue of data cleansing and high volume of long outstanding debts.

Revenue Section to ensure implementation of disconnections on long outstanding debts on monthly basis to address the issue of arrears on Municipal taxes and service charges

The Municipality to set monthly targets that will focus on increasing revenue collection rate and also ensure functionality of Revenue Enhancement Structures.

- The Municipality obtained a Qualified audit opinion for 2018/2019 financial with other Management issues to be addressed by Management. Material issues raised were as follows:

- (i) Material impairment allowances of **R78.05 million** were made against **receivables from exchange transactions.**
 - (ii) Material impairment allowances of **R31.14 million** were made against **receivables from non-exchange transaction.**
 - (iii) Material electricity distribution losses of **R8.26 million** were incurred which **represents 38% of total electricity purchased.** This is due to illegal electricity connections as well as ageing electricity infrastructure.
The Municipality has then taken steps to address this issue through the project of installing new meters which is currently on implementation.
 - (iv) Indigent register – The Municipal Indigent register has to be reviewed to incorporate properties with the value of R110 000 and below. This is per the resolution by Council. An approved valuation roll will be used to support the list.
- A detailed AG Action plan has been developed with appropriate dates of action.
 - The recommendation of the Audit Committee in relation to the AFS and Audit Report were taken into consideration and included in the Annual Report for implementation.

4.2. ALLOCATIONS / GRANTS RECEIVED AND MADE

- The grants received from other organs of state were accurately disclosed on the Annual Financial Statements and Annual Report.
- All compulsory disclosures are contained in the notes to the Annual Financial Statement, i.e.
 - Unauthorised Expenditure
 - Irregular Expenditure
 - Fruitless and Wasteful Expenditure
 - Amounts paid in terms of Contingent liabilities, Taxes, Medical Aid, Pension Contributions and all other payments made
 - All bank accounts and investments were disclosed in the Annual Financial Statements as required.
- No funds (DORA) were delayed or withheld from EPWP and MIG and INEP grant. The Municipality managed to spent 100% of allocated funds within the stipulated timeframe.
- Disclosure on how allocations received have been spent per vote were made in accordance with Section 123 of the Municipal Finance Management Act.

4.3. DISCLOSURES OF SALARIES IN THE AFS

- The salaries, allowances and benefits paid to Councillors, Municipal Manager, CFO and Senior Managers have been disclosed in the notes to the Annual Financial Statement.
- The salaries, allowances and benefits paid to Councillors are within the upper limits of the Framework envisaged in Section 219 of the Constitution.
- No Councillors were in areas for more than 90 days during the financial year

4.4. MUNICIPAL PERFORMANCE

- The Annual Performance Report was included in the Annual Report as per Section 46 of the Municipal Systems Act. The report does reflect the Municipal performance targets set in the budget, SDBIP and service agreements. It further gives comparisons on actual achievements versus targets as expressed in the SDBIP. The SDBIP is directly linked to the Performance Agreements of Section 54/56 and evaluated against targets and the budget
- Oversight Committee/MPAC noted that based on Audit Report and opinion, Performance Management System is considered to be improving as compared to previous years, 91% of indicators were achieved and 9% were not achieved. No audit findings were identified during 2018/2019 audit.
- The recommendation made by Internal Audit and Auditor General were included in the Audit Action Plan, The plan is monitored through the office of the Accounting Officer.
- The assessment of external Service Providers was made and included in the Annual Report.
- The capital projects implemented during the financial year were all disclosed with their status of completion as at 30 June 2019 as follows:

PROJECT NAME	STATUS OF COMPLETION
Re-surfacing of eDumbe Cemetery (Ward 3)	Completed
Nhlakanipho Pedestrian Bridge (Ward 8)	Completed

EBhishi gravel Road (Ward 6)	Completed
Ebhishi Causeway (Ward 6)	Completed
Luneburg Community Hall (Ward 1)	Completed
kwaGedlase Sportfield (Ward 6)	Not Completed by 30 June 2019
kwaNgwanya Sportfield (Ward 2)	Completed
Bilanyoni Sportfield Phase 1 (Ward 4)	Completed
Abaqulusi Sportfield (Ward 7)	Completed
Lenjane Phase 2 Electrification (Ward 1)	Completed
Nkonkotho Electrification (Ward 1)	Completed
kwaSonkela Electrification (feasibility studies (Ward 1)	Completed
Zungwini Electrification (Designs) (Ward 7	Completed
Infrastructure Upgrade (Installation of MV and LV network Phase 1 (Ward 3)	Completed
Infrastructure Upgrade (Designs for Phase 2) Ward 3	Completed

4.5. ASSESSMENT ON PERFORMANCE EVALUATIONS

Formal assessments evaluations for 2018/2019 on Municipal Manager and Managers directly accountable to the Accounting Officer were planned to be conducted on the 25th of March 2020, preparations were all done with regards to this exercise, but due to pronouncement of lockdown by the president, the municipality had to cancel the assessment. Some of the invited panel members were unable to come, as a result no performance assessments evaluation were conducted and no bonuses were paid.

4.6. GENERAL INFORMATION

- All long-term contracts including levels of liability to the Municipality were included in the Annual Report
- Significant IT activities indicating the effectiveness of the IT projects and the quality of IT service were disclosed in the Annual Report

5. CONCLUSION

The Oversight Committee/MPAC noted the effort by the Municipality especially in delivering service to eDumbe Community during the financial year in review, irrespective of the financial constraints. The Committee further requests Management to improve more on internal controls and also to implement consequence management where required.

The Committee therefore congratulates the Honorable Mayor Cllr SJ Mavuso Kunene, Council of eDumbe, all Council Committees, Management and staff for this improvement.

6. RECOMMENDATIONS

The Oversight Committee recommends that:

1. Council having fully considered the Annual Report, adopts/approves the Oversight report without reservations
2. The Accounting Officer makes public the Oversight report within seven days of the adoption, as per Section 129(3) of the MFMA.



Cllr. HH VILAKAZI

MPAC CHAIRPERSON